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TO RUEHAC/AMEMBASSY ASUNCION PRIORITY 6127
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INFO RUEHBO/AMEMBASSY BOGOTA 1560
RUEHPE/AMEMBASSY LIMA 2035
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C O N F I D E N T I A L BUENOS AIRES 000808

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TAGS: [PGOV](#) [PREL](#) [EFIN](#) [ENRG](#) [AR](#) [BR](#)
SUBJECT: AMBASSADOR'S APRIL 24 LUNCH WITH BRAZILIAN
AMBASSADOR

REF: BRASILIA 000708

Classified By: AMBASSADOR E. ANTHONY WAYNE FOR REASONS 1.4 (B) AND (D)

¶1. (C) Ambassador met April 24 with Brazil's Ambassador to Argentina, Mauro Viera, to discuss the April 26-27 visit of President Lula to Argentina (after Lula's visit to Chile). Following are highlights of the discussion:

¶2. (C) Brazil-Argentina Relations: Friday morning, Lula will meet privately with Kirchner at the Argentine presidential residence of Olivos and then for lunch they will be joined by the first ladies and probably Foreign Minister Amorim, Advisor Marco Aurelio Garcia and Ambassador Viera for Brazil. The main purpose of the meeting is for Lula to have private &political8 talks with Kirchner, particularly about regional events and actors and an opportunity to shore up personal relations.

¶3. (C) Bio-fuels: The Brazilians feel they have effectively rebutted recent criticism by Chavez and Castro of their bio-fuels cooperation with the U.S., but they are still not happy with Chavez' populist antics. As for the Argentines, Brazil is open to including them in broader efforts, but they have not asked.

¶4. (C) Banco del Sur: Chavez clearly wants this for ideological reasons, but it is not clear what its role would be. The region does not need a mini-IMF. It has plenty of development bank money available from the World Bank, the IDB and Brazil's own development bank, plus the Andean Fund (CAF). In fact, Argentina has borrowed almost \$1.9 billion from Brazil's bank and can borrow more. What will another bank with \$400 million in capital provide? The Brazilians might be open to be some more specialized uses for an institution, such as helping financing infrastructure, but they need to be convinced.

¶5. (C) U.S.-Brazil, U.S.-Argentina relations: Brazil is very pleased with its cooperative arrangements with the U.S. in many fields, and President Lula was very pleased with his visit to Camp David. Brazil will resist efforts by others to turn this cooperation into something negative for relations in South America. This is not a zero sum game, and Brazil has little patience with Chavez and others who try to portray it that way. Also, Brazil is aware (citing Secretary Rice's meeting with Foreign Minister Amorim) of U.S. upset with

Argentina and with Kirchner's tendency to not remember all the U.S. has done to help Argentina in the past. The Brazilians think this attitude is short-sighted.

¶6. (C) Bolivia-Brazil: Lula had a very tough talk with Evo Morales in Venezuela and is very upset with Bolivia's actions in the energy sector. Serious talks between the Brazilian energy minister and Bolivian counterparts followed, but Brazil is still quite wary about what Morales might announce in terms of further nationalizations in the weeks ahead. This worry has just underscored the need to diversify sources of energy supply.

¶7. (C) Petrobras-Argentine relations: The stir caused over the critical statements by Petrobras CEO about Argentine energy policies has blown over. But, the CEO was, in part, responding to stockholder pressures to show more profit, when he made his initial comments. GOA Planning Minister De Vido sent a threatening letter afterwards, but the Brazilians did not take up that tone and responded with a high road response about the importance of long term relations and the commitment of Brazil to invest. This smoothed ruffled feathers but again showed extreme sensitivity in Argentina to things that look even mildly critical of official policies.
WAYNE